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The EU–JORDAN COMPACT

A model for burden-sharing in refugee crises?

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Policy recommendations

\ Extend the sectors eligible for preferential access to the European Common Market

The EU has committed itself to relaxing its trade regime towards Jordan as an incentive to promote the employment of Syrian refugees staying in the country. However, the current limitation to garment, plastic and metal industries in designated special economic zones does not match the skills Syrians have. Therefore, the EU–Jordan Compact should be opened up to further sectors, such as agro-industries.

\ Retain the waiver of work permit fees for refugees as a contribution to burden-sharing

The government of Jordan has waived work permit fees for Syrian refugees since April 2016 and has now stretched the grace period until the end of 2019. To make the planning for employees and job seekers reliable, the ILO and UNHCR should ensure that the waiver remains in place until Syrians can return home. Transparency about the future cost of work permits and early information before fees for work permits for Syrians are re-introduced are also necessary.

\ Make work permits an entry point for decent work

Work permits for Syrians are an entry point for refugees in formal labour relations. However, social

security and labour rights are still not guaranteed for the majority of Syrian work permit holders. Agencies that support the implementation of the EU–Jordan Compact should insist on employers' compliance with labour rights and ILO standards of decent work for work permit holders and assist in implementing them.

\ Encourage Jordanian–Syrian businesses and home-based businesses of Syrian refugees

Establishing a business can alleviate tensions in the Jordanian labour market. The government of Jordan should relax the administrative barriers for Jordanian–Syrian joint ventures and abrogate restrictions for Syrians in access to finance. Small-scale home-based businesses for refugees should also be permitted.

\ Involve Syrian refugees and Jordanian employers in adjusting the EU–Jordan Compact

To avoid failures in reaching the targets of the EU–Jordan Compact, Syrian refugees and Jordanian employers need to be included in revising the Compact. UNHCR could support the establishment of a representative refugee council, which should have an advisory role during the negotiations about the contents of the Compact in the mid-term review scheduled for 2020.

The EU–Jordan Compact: A model for burden-sharing in refugee crises?

The EU–Jordan Compact links support for the government of Jordan as the host country of more than 670,000 registered Syrian refugees (in 2018) with economic cooperation and trade liberalisation to satisfy the interests of the government of Jordan and the European Union (EU). Established in 2016, the Compact aims to integrate Syrian refugees in the Jordanian labour market. Jordanian companies producing export commodities in 18 designated economic zones will benefit from the EU preferential trade regime if they fill 15 per cent of their job positions with Syrian refugees until 2018 and 25 per cent after that. The EU–Jordan Compact intends to reach the target of 200,000 formal job opportunities for Syrian refugees holding work permits without taking jobs away from Jordanians. When this is achieved, producers in Jordan even beyond the designated zones are eligible to benefit from a relaxation of the EU rules of origin regime for ten years. The Jordanian government is interested in the Compact as this will enhance the Jordanian export sector and combat high unemployment (18 per cent in 2018). From the perspective of the Jordanian government, the Compact may have the effect of

(t)urning the Syrian refugee crisis into a development opportunity that attracts new investments and opens up the EU market with simplified rules of origin, creating jobs for Jordanians and Syrian refugees whilst supporting the post-conflict Syrian economy (Government of Jordan, 2016).

The EU is interested in the Compact as it makes staying in Jordan attractive for Syrian refugees and keeps the option of return to Syria open, thus offering an alternative to onward migration to Europe.

The inventors of the EU–Jordan Compact are the renowned economists Alexander Betts and Paul Collier, who propagate making refugees “agents of development” (Betts & Collier, 2017) suggesting a firm policy towards labour market integration of Syrian refugees in Jordan. The intended effect is to avert the aid dependency syndrome from Syrians living in protracted displacement in Jordan and avoid market inefficiencies following the exclusion of refugees and their skills from the labour market. The Compact thus addresses the problem that there are hardly any viable

solutions for protracted refugee situations¹ affecting about two-thirds of refugees worldwide. If successful, the EU–Jordan Compact may become a model for further compacts between the European Union and countries that host refugees in protracted displacement. However, three years into the Compact, neither the targeted employment of refugees nor the inclusion of a significant number of Jordanian companies in the preferential trade agreement that forms the core of the Compact has been achieved.

There are economic, social and political reasons for the low performance of the Compact as well as misconceptions about the role refugees in protracted displacement situations can play. Based on field research and secondary literature, this *Policy Brief* sheds light on some of these reasons.² It argues for adjustments to the ‘compact approach’, bringing it in line with the request for sharing the burden and responsibility in refugee crises as suggested in the Global Compact on Refugees between countries of the Global North and South.³ By taking the recommendations of this *Policy Brief* on—which addresses the negotiators of the review of the EU–Jordan Compact as well as the funding agencies that will be involved in the review process in 2020—refugees in protracted displacement may become an integral and equal part of burden-sharing rather than being considered merely as a burden others have to shoulder (as stipulated by the Refugee Compact). The *Policy Brief* also makes suggestions that can develop the ‘compact approach’ further.

1 \ Protracted displacement refers to refugees staying abroad in large numbers for more than five years.

2 \ The author collected perceptions of Syrian refugees in Greater Amman in late 2016 and 2017 (Grawert, 2019).

3 \ The member states of the UN General Assembly affirmed the Global Compact on Refugees on 17 December 2018 in the annual resolution on the work of UNHCR. The Global Compact “aims to strengthen the international response to large movements of refugees and protracted refugee situations. Its four key objectives are to (e)ase the pressures on host countries, (e)nhance refugee self-reliance, (e)xpand access to third-country solutions (and)(s)upport conditions in countries of origin for return in safety and dignity” (UNHCR, 2018).

The core of the Compact: Easier access to the European market and aid in return for the employment of Syrian refugees

Export-oriented Jordanian companies—mostly light industries and services (mainly tourism)—operate in clusters located in special economic zones that offer reduced tax rates and low import duties to attract international investors. Bilateral trade agreements facilitate exports from these free trade zones. The Jordanian Association Agreement with the European Union, entered into in 2002, stipulates that for exports to the European market, an average of 60 per cent of the export value of a product has to be from Jordanian origin. What is new about the EU–Jordan Compact is that it relaxes the rules of origin further so that products destined for the European market need to contain only 30 per cent on average from Jordanian origin. However, only selected industrial items are included in the new trade regime, listed in 52 (out of 97) chapters of the Harmonised System Code by which the World Customs Organisation classifies traded goods. Hence, the Compact limits the export commodities that are included in the preferential trade regime to specific light industries, predominantly garment factories. Companies processing agrarian products, one of the predominant sectors in the Jordanian economy, are not included in the regime (Arroyo, 2018).

Complementary to the preferential trade regime, Jordan receives generous assistance from the European Union—over two billion US dollars in 2016 to 2018 (EEAS, 2018). Development agencies, among them the German Gesellschaft für Internationale Zusammenarbeit (GIZ) and the United States Agency for International Development (USAID) provide vocational training for refugees, and the International Labour Organization (ILO) and the EU support additional employment services.

The duration of the preferential trade regime was initially fixed at ten years; during a meeting in December 2018, the EU High Representative Federica Mogherini

and King Abdullah II of the Hashemite Kingdom of Jordan agreed to prolong it to 2030 and further relax the criteria for companies operating in Jordan to become eligible for the preferential trade regime.

Extend the sectors eligible for preferential access to the European Common Market of Jordanian firms that employ refugees

Until 2017, Jordan's exports to the European Union grew by 5.3 per cent, reaching EUR 357 million. An EU delegation stated that “sectors that grew the most, presenting an export potential, are covered by the agreement, such as chemicals, textile and manufacturing” (Ghazal, 2018). However, so far only four companies have qualified for the relaxed rules of origin; their export value was only EUR 1.9 million in 2017, and they employed less than 300 Syrian refugees. There are three economic reasons for the sobering performance of the Compact:

- 1\ The preferential trade regime covers sectors where other Mediterranean countries have comparative advantages and excludes about two-thirds of Jordanian exports accruing from other commodities (Maltz & Huang, 2018).
- 2\ Many factories in Asian countries have lower production costs for textiles than Jordanian factories, benefitting also from preferential market access to Europe, and have long-established marketing networks—which Jordanian companies do not have.
- 3\ Jordanian manufacturers are mostly oriented towards the regional markets and do not necessarily see a benefit in increasing their standards to be eligible for the European market (Lenner & Turner, 2018).

The main economic reason for the low inclusion of Jordanian companies in the preferential trade regime is thus lack of competitiveness with regard to the envisaged products. Syrian refugees also have economic reasons why they do not apply for work permits for factory work in significant numbers. Like any other

job seekers, they prefer taking jobs in the informal markets prevailing in the Jordanian economy. This matches Jordanian employers' interest in skilled Syrians working informally in jobs that officially are closed to non-Jordanians because they can pay equally skilled refugees less than Jordanians. Hence, Syrian refugees take the opportunities of informal employment, negotiate the wages or salaries with Jordanian employers, do not pay insurances and change jobs easily when they are not satisfied with the conditions (Grawert, 2019).

There are also several social reasons why Syrian refugees are reluctant to work in the designated economic zones. Syrian men are rarely prepared to stay in dormitories on site, far from their families, whereas Arab and Asian migrant factory workers' families are not in Jordan. In consequence, they do not mind staying on site and working overtime. Moreover, many Syrians who have had skilled employment in Syria before decline to become factory workers. Syrian women, in addition to the above economic reasons, prefer working in small-scale home businesses close to their families, thus avoiding being harassed on the way to work (Grawert, 2019).

The main political reason for the low performance of the Compact is the ambition of the Jordanian government to prevent Syrian refugees from competing with the Jordanian labour force. The limitation to the 18 designated zones guarantees that Syrian refugees compete with migrant workers, not Jordanians. The government insists that Syrians can only receive work permits if the companies in the designated zones employ already 30 per cent Jordanians before they hire 15 per cent Syrians. However, Jordanians hardly accept the low wages and adverse working conditions prevailing in these factories so that companies often fail to find 30 per cent Jordanian workers (Arroyo, 2018).

The amendments of the EU–Jordan Compact in 2018 only superficially touch on the problems underlying its low performance. If the preferential trade regime is to have the effect of real burden sharing, it will

have to be extended to Jordanian companies employing Syrian refugees (as well as Jordanians) outside the 18 designated zones. Moreover, Jordanian–Syrian joint ventures employing both Jordanians and Syrian refugees should be included, allowing the Jordanian economy to benefit from synergies of Syrian and Jordanian business cooperation in those sectors where they have comparative advantages—including food processing.

Retain the waiver of work permit fees for refugees as a contribution to burden-sharing

Work permits are the means to bring the non-Jordanian labour force into the formal labour market. Hence, the Jordanian Ministry of Labour issues work permits for all the specified jobs that are open to non-Jordanians—not only in the special economic zones but also in other sectors. Employers are expected to pay for the work permit and health insurance for the worker. The work permit has to be renewed annually or whenever a worker changes their employer.

To make employment of Syrian refugees in jobs open for non-Jordanians more attractive for employers and Syrian jobseekers, the Jordanian government introduced a waiver for work permit fees for Syrians in April 2016 and extended that waiver for periods of three months ever after. In December 2018, it extended the grace period for a full year until the end of 2019 (Government of Jordan et al., 2018). This has been a useful decision that will relieve employers from the previous uncertainty about the future of the cost for work permits.

Agriculture and construction are the sectors where most of the non-Jordanian workers are employed, often seasonally and with frequent changes of employers. To make the inclusion of Syrian refugees in the labour force attractive beyond the factories included in the EU–Jordan Compact, the ILO successfully convinced the Jordanian government to issue work permits that are not linked to one job or employer in construction

and agriculture. Until 2018, the ILO together with Jordanian trade unions succeeded in establishing 22 agricultural cooperatives (alliances of agricultural employers) and gained 6,300 employers in construction who accept Syrian refugees keeping the same work permit when changing the employer. However, job opportunities in construction and agriculture are not attractive to Syrian refugees with professional skills. These skills are prominently in education, medicine and business management, areas that belong to the sectors that are closed to non-Jordanians. Besides this, Egyptian and other migrants are side-lined because Syrians benefit from the work permit waiver and compete in the same sector, whereas other migrants that prevail in the construction sector and broker workers to employers have to pay for work permits (Lenner & Turner, 2018). Hence, the preferential access for Syrian refugees to construction work may create conflicts with established migrant workers' hiring systems and cause new problems.

Whereas in December 2015, only 4,000 Syrians had obtained a work permit, until late 2018, the number of Syrians with a work permit had allegedly increased to 120,000 in those fields of employment permitted for non-Jordanians; five per cent were women (UNHCR, 2019). However, a study by the International Rescue Committee (IRC, 2018) points out that many of the work permits are re-issued permits and not new ones. The combination of the above factors explains why Syrians in Jordan still hesitate to obtain and renew a work permit.

Removing the uncertainties about the duration of the waiver for work permit fees for Syrian refugees is a first step towards making it possible that employers and employees can properly calculate expenditures—if they consider joining the formal labour market of Jordan. International agencies should support the waiver until Syrian refugees can return home as a further way of engagement in sharing Jordan's burden as a host community for Syrian refugees. Once Syrians start to return in large numbers, the government of Jordan should be transparent about the future cost of work permits and provide early information before fees for work permits for Syrians will be re-introduced.

Make work permits an entry point for decent work

While work permits for Syrian refugees are an entry point in labour relations in the formal economy, social security (such as health insurance) and labour rights (annual leave, sick leave) are still not guaranteed for the majority of Syrian work permit holders, and working conditions in the factories of the special economic zones are poor. In interviews, several refugees explained that they were not ready to work for the low wages (about US \$280 per month) offered in the designated zones and to pay high transport fees to reach the factories. Family heads complained that the low wages were by far not sufficient to cover families' basic needs. Overtime is rarely paid. An ILO survey revealed that only 20 per cent of the Syrian employees with work permits are covered by social security even though it is required by Jordanian labour law (ILO, 2017). Lenner & Turner (2018) criticise that the ILO has withdrawn its strong initial engagement for decent work conditions in the framework of the EU–Jordan Compact and, instead has become fixed on the aim of increasing the number of work permits obtained by Syrian refugees by all means. The Compact thus may promote working conditions for Syrians that are far from the ILO standards of decent work.

The ILO, UNHCR and other international agencies such as GIZ that support the implementation of the EU–Jordan Compact should insist that employers comply with labour rights and the ILO standards of decent work for work permit holders and assist in implementing them. ILO's 'Better Work Jordan programme' (ILO, 2019), where the ILO cooperates with the Jordanian Ministry of Labour in monitoring work conditions through labour inspectors, is a step in the right direction.

Encourage Jordanian–Syrian businesses and home-based businesses of Syrian refugees

Potential entrepreneurs among the refugees face high bureaucratic hurdles and are denied access to financial services. Some Syrians have funds they can invest if regulations are relaxed (author’s interview with Syrian businessmen in Ain al-Basha, January 2017). The rigid rules prevent Syrian refugees who could set up businesses from taking the opportunity to create employment also for Jordanians. In contrast to employment restrictions to foreigners meant to protect skilled Jordanians from losing their jobs, establishing businesses can contribute to easing the tensions on the labour market. Moreover, Jordanian–Syrian joint ventures could establish branches in Syria as soon as investment becomes possible there. Hence, the parties engaged in the review of the EU–Jordan Compact should seek solutions that enable the start-up of Jordanian–Syrian businesses.

Many Syrian refugees, and women in particular, used to run home-based small businesses for catering, hairdressing and other services. In October 2017, the Jordanian government regulated home-based businesses in Jordan in an attempt to include this sector in the formal economy. The government amended this regulation in November 2018, allowing registered home-based businesses in food-processing, handicrafts and tailoring to operate, “provided that the percentage of Jordanians benefiting from the support given to these works is not less than 70%” (Government of Jordan, 2018). The outcome of the regulation has been that home-based businesses are criminalised, can be shut down and their owners fined at any time. In consequence, refugees engaged in such a home business may be relocated to a refugee camp. Hence, this effort to regulate the large shadow economy in Jordan has adverse effects on the livelihood of Syrian refugee families. Many of them depend on women’s small home businesses irrespective of the number of Jordanians working in the same sector. The regulation—even after the amendment—is likely to

increase families’ need for aid, thus contradicting measures of opening livelihood options for Syrian refugees that make them resilient. The argument by the government that the regulation should prevent competition with Jordanians does not hold in this case as the customers of Syrian refugee women’s home businesses are mainly other Syrian women; hence, they do not interfere in the markets of Jordanians (Grawert, 2019). Therefore, the ILO and UNHCR should urge the Jordanian government to relax the regulation for refugees.

Involve Syrian refugees and Jordanian employers in adjusting the EU–Jordan refugee compact

The mid-term review planned for 2020 should consider the Compact’s potential in providing additional livelihood options for refugees from Syria, but also adjust the decision-making process. Clarity about the available potential labour force among the refugees is a fundamental precondition for the review. Statistical data suggest that nearly 300,000 registered Syrian refugees (out of more than 670,000) are adults of working age. Families or parts of families form the bulk of the Syrian refugees in Jordan. This differs from the migrant workers from Arab and Asian countries in Jordan, who are mostly single men who send remittances to their families abroad. Among the unregistered refugees, too, there are many partial families, mostly widows or single women with children. Different from labour migrants, a high number of Syrian refugees are affected by injuries and illnesses or are disabled. According to the UNHCR, 55 per cent of the Syrian refugees were vulnerable with regard to health in 2017. Trauma and illnesses affect many refugees as consequences of war experiences such as the killing of relatives, separation from family members, destruction of homes and incidences of violence during their displacement (Grawert, 2019). Many will need support for a long time and are unable to enter regular employment. Hence, the employment aim of 200,000 Syrian refugees fixed in EU–Jordan Compact is overly ambitious.

To avoid future misconceptions about the potential to include refugees in the labour market, Jordanian employers and Syrian refugees should be involved in the review process of the EU–Jordan Compact. With the help of the UNHCR, the registered Syrian refugees ought to be involved in an assessment of their capabilities in accessing the formal labour market. The UNHCR could support the establishment of a representative refugee council which should proportionally include men, women and different age groups based on the UNHCR statistics of registered refugees. Council elections should be convened regularly to reflect changes in the composition of the refugee groups. The council could represent refugees' interests towards the humanitarian agencies in general and, together with Jordanian employers, take on an advisory role during the negotiations about the contents of the Compact during the review process in 2020.

Such an inclusive approach may contribute to overcoming the problems of the EU–Jordan Compact so that it can become a model for burden-sharing that can also be used in other refugee crises.

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